

**Energy Efficiency
Bonneville Power Administration**

**Post 2006 Conservation Work Group
Notes from the December 2, 2004 Workgroup Meeting
Portland, Oregon**

Below is a brief summary of the 3rd Workgroup meeting held in Portland on December 2, 2004. The meeting was attended by 40 customers and other interested parties. Another twelve people participated by phone. The meeting opened with an overview of the day's agenda.

John Pyrch facilitated the initial discussion and provided an update on the Workgroup's progress. The decrement issue, the issue of how slice/block customers will fit into the proposed programs and the issues of how funding targets were set and why BPA wants to run acquisition programs as opposed to public benefits programs were discussed. John reviewed the Tentative Schedule of Activities for FY2005 handout (see Attachment 1 to the agenda). Next, various BPA staff provided an update on overarching issues (see below) and the subcommittee chairs presented their subcommittee's feedback and recommendation on the Post 2006 Conservation Program Design Subcommittee Recommendations document dated 11/19/04. In the afternoon, the Workgroup reviewed the unresolved issues identified in the 11/19/04 document. The Workgroup's recommendations on the unresolved issues have been incorporated into the 12/13/04 Revised Draft Post 2006 Conservation Program Design Workgroup Recommendations document.

BPA Overarching Issue Reports

Tim Johnson – Conservation Acquisition: What Does This Mean

Tim Johnson from BPA discussed BPA's legal obligations to purchase conservation according to the 1980 Power Act and discussed the meaning of "conservation acquisition". He reviewed the "Conservation Acquisition: What Does it Mean" handout (see Attachment 2 to the Agenda).

Helen Goodwin – Regional Dialogue

Helen reviewed the proposed timeline for the Regional Dialogue process and informed the group the Regional Dialog Proposal will be published in July 2005. There are no positions taken on any issues to date. The Regional Dialogue group continues to take input from the Post-2006 Workgroup in developing its final proposal.

Deb Malin – Renewables

Deb explained that the BPA renewable staff is holding a series of focus groups to provide input to BPA on its future renewable programs. She mentioned that the Renewables group was concentrating on providing facilitation services to the region to help other

entities acquire their own renewable resources. Bulk Marketing is thinking now that they will continue a \$15M renewable fund and a \$6M renewable commitment in a rate credit program. Deb encouraged participants to submit their recommendations through the Focus Group process. Soon there will be a link through the Regional Dialogue website to the Renewables Focus Group. There was a question as to whether a portion of the \$6M renewable fund could be used for direct application renewables (DAR) such as solar water heating. Deb responded that the Renewables group is interested in generating resources rather than DAR.

John Prych – Conservation & Renewable Discount Trends

John Prych presented the preliminary C&RD program results and trends (see Attachment 3 to the agenda).

Sub-Committee Reports

Program Design/Funding Mechanisms – Keith Lockhart presented the Program Design and Funding Mechanism subcommittee's recommendations on the rate credit component of the draft program design and on the unresolved issues. Brent Barclay gave a presentation on the subcommittee's recommendation for a bi-lateral contract program. These recommendations have been incorporated in the 12/13/04 Revised Draft Post 2006 Conservation Program Design Workgroup Recommendations document.

Small Utility Option – Tom O'Connor presented the Small Utility Subcommittee's recommendations. These comments have been incorporated into the 12/13/04 Revised Draft Post 2006 Conservation Program Design Workgroup Recommendations document and are highlighted below.

Small utilities could participate in either the recommended rate credit program or bi-lateral contract program in a variety of ways: 1) through pooling (a consortium of utilities), 2) by hiring a contractor to operate their program, such as PGE Energy Services Group, and 3) with assistance from BPA staff (EERs and Engineers).

Remaining unresolved issues are:

- Are there sufficient numbers and types of cost effective measures that would enable small utilities to meet their rate credit targets?
- What additional requirements will there be for small utilities (such as reporting)
- What should be the formula for determining appropriate level of administration credit for small utilities?
- What should be the minimum threshold defining a small customer? Should it continue to be 7.5 aMW or should it be higher? Conversely, you could have some utilities with net requirements greater than 7.5 aMW but that are short staffed and need assistance.

Oversight and Evaluation – Dave Johnson presented the Oversight and Evaluation subcommittee's recommendations. The Workgroup did not have any issues with the

recommendations and they have been incorporated into the 12/13/04 Revised Draft Post 2006 Conservation Program Design Workgroup Recommendations document.

Creative Strategies – Tommi Reynolds said the Creative Strategies subcommittee's original recommendations have been incorporated in the Program Design document but that the subcommittee needs a better understanding of the impacts and trade-offs of the proposed programs, before they can make an informed opinions.

Funding Levels

John reviewed the Proposed Portfolio program design chart, BPA's budgets, conservation targets and acquisition accomplishments. He stated that BPA's proposed targets are 56 aMW at a cost of \$1.3M/aMW. Key points from John's overview of the subcommittee recommendations follow:

- If there is a rate credit program, the disbursement mechanism will be the same as what it is now.
- Whether reporting by kWh or dollars spent, the reporting component will be the same.
- No generation renewables will be eligible for the rate credit
- Direct application renewables will only be eligible for rate credit reporting if the DAR measures are cost-effective.
- Utility contracts for low income weatherization will continue to be allowed, but credit will only be allowed for cost-effective measures
- Need to consider how to encourage utilities to do more conservation with the funds available and to make sure the reporting system allows the utilities to claim credit for the conservation they do.

Stan Price was given the floor to give his perspective for funding the portfolio to achieve the target. He stated the two were derived from two different processes. The Council developed the target and BPA developed the proposed funding level. His opinion was that regional costs from a historical perspective do not equal the \$80M target proposed by BPA. He also mentioned the 56 aMW target includes naturally occurring conservation. Stan suggested that we need to pursue a method to account for what is already being done absent utility incentives or other enticements. A subset of the Workgroup will convene to discuss funding levels before the January 11, 2005 Workgroup meeting.

Unresolved Issues

Decisions on the unresolved issues from the Post 2006 Conservation Program Design Subcommittee Recommendations document dated 11/19/04 are documented in the Post 2006 Conservation Program Design Workgroup Recommendations *Revised DRAFT for Review and Comment* document dated 12/13/04.